

Message Text

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PAGE 01 STATE 153346
ORIGIN TRSE-00

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TX-387

DRAFTED BY TREAS:MFIELD:DE
APPROVED BY L/T: AWROVINE
TREAS:OS:HDROSENBLUM
EUR/WE:JCUNNINGHAM

-----098660 161617Z /45

R 161334Z JUN 78
FM SECSTATE WASHDC
TO AMEMBASSY MADRID

UNCLAS STATE 153346

E.O. 11652: N/A

TAGS: EFIN

SUBJECT: PROPOSED U.S.-SPAIN INCOME TAX TREATY

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1. WOULD APPRECIATE EMBASSY'S INQUIRING OF MR. DE LA VILLA
OF FINANCE MINISTRY TO STATUS OF HIS REVIEW OF THE ONE
REMAINING ISSUE IN PROPOSED U.S.-SPAIN INCOME TAX TREATY.

2. A SEPTEMBER 1977 LETTER FROM DAVID FOSTER, THEN
INTERNATIONAL TAX COUNSEL OF TREASURY, PROPOSED A
COMPROMISE POSITION ON THAT ISSUE, WHICH CONCERNS THE TREAT-
MENT OF REMUNERATION FOR SERVICES PERFORMED BY CORPORATIONS.
MR. DE LA VILLA REPLIED, IN NOVEMBER 1977, THAT HE WOULD
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HAVE TO POSTPONE CONSIDERATION OF THE TREATY ISSUE UNTIL THE
TAX REFORM PROGRAM WAS COMPLETED, AS IT MIGHT AFFECT OTHER
TREATY PROVISIONS. WE EXPRESSED UNDERSTANDING, BUT A HOPE
THAT THE DELAY WOULD NOT BE A LONG ONE.

3. DURING A MEETING AT TREASURY IN JANUARY 1978, MR. MORAL
MEDINA OF THE ECONOMIC MINISTRY CONFIRMED THAT THE TAX
REFORM PROGRAM WAS THE REASON FOR THE DELAY. HE INDICATED
THAT THE NEW TAX LAWS SHOULD BE ENACTED BY MID-JUNE.

4. HOWEVER, IN MARCH, DURING A TAX TREATY COURSE IN MEXICO
MR. FERNANDEZ OF THE FINANCE MINISTRY MENTIONED TO

TREASURY PARTICIPANT THAT HE BELIEVED THE DELAY IS
INTENTIONAL, IN RESPONSE TO SOME OBJECTION TO THE TREATY,
ALTHOUGH HE DID NOT KNOW THE OBJECTION OR WHO HAD RAISED
IT.

5. WE HAVE REVIEWED DRAFT TEXTS OF THE PROPOSED LAWS AND
DO NOT SEE ANY TREATY PROBLEMS. WE WOULD LIKE TO COMPLETE
THIS TREATY WHICH HAS ELUDED US FOR YEARS. WOULD BE
GRATEFUL IF EMBASSY COULD CLARIFY WHETHER THERE IS A
PROBLEM IN COMPLETING IT OR WHETHER WE CAN EXPECT A
RESPONSE TO THE FOSTER LETTER FAIRLY SOON. NEWSOM

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Message Attributes

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Current Classification: UNCLASSIFIED
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Draft Date: 16 jun 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 jan 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Line Count: 77
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Review Release Date: N/A
Review Release Event: n/a
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Review Withdrawn Fields: n/a
SAS ID: 2315650
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Status: NATIVE
Subject: PROPOSED U.S.-SPAIN INCOME TAX TREATY -
TAGS: EFIN, US, SP
To: MADRID
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